

# Economic and Fiscal Impact Statement (STD 399) Appendix

## Department of Resources Recycling and Recovery

### Plastic Pollution Prevention and Packaging Producer Responsibility Act Regulations

## Economic Impact Statement

### A. Estimated Private Sector Cost Impacts

#### *3. Number of Businesses Impacted*

See SRIA section titled *Direct Cost on Businesses*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheet titled *Producer Summary*.

CalRecycle defines the typical businesses affected by Senate Bill No. 54 (2021-2022 Reg. Sess.) (Stats. 2022, ch.75) (SB 54) and the proposed regulations as those spanning various industry sectors, including manufacturing, retail, wholesale, and the food service industries. Implementation costs associated with SB 54 and the proposed regulations are expected to be absorbed by large producers of covered material, with a projected pass-through of costs to other typical businesses, not classified as large or small producers of covered material.

#### *4. Number of Businesses Created*

See SRIA sections titled *Introduction* and *Sortation*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheets titled *PRO Operations Summary* and *IN Sortation (Cells C29, D29, and E29)*.

The Producer Responsibility Organization (PRO), a non-profit organization created by SB 54 and the proposed regulations, is tasked with developing and implementing an Extended Producer Responsibility (EPR) program for packaging and single-use food service ware. This organization plays a central role in managing and overseeing compliance with SB 54 and the proposed regulations, ensuring that producers meet source reduction and recycling targets, and facilitating the shift of responsibility from local governments and consumers to packaging producers. The PRO is also responsible for registration, reporting, recordkeeping, and auditing requirements, as well as surcharge remittance and budget preparation. It is a key element in the effort to reduce packaging pollution and promote sustainability.

The development of 16 large, 6 medium, and 8 small Material Recovery Facilities (MRFs) to handle recyclable materials by 2032 is expected to stimulate new businesses and economic opportunities. These MRFs will lead to job creation and increased demand for recycling services. These businesses will also foster secondary markets for recycled materials.

CalRecycle expects that a minimum of 31 businesses (30 MRFs and 1 PRO) will be created as a result of the proposed regulations.

#### *5. Geographic Extent of Impacts*

See SRIA section titled *Sortation*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheets titled *IN Sortation* and *IN Compost*.

Table 15 in the SRIA contains details on the estimated capacity needed for MRFs by region, including constructing large, medium, and small facilities, as well as expansions of existing facilities. Table 16 offers insights into the capacity needs for compostable infrastructure in those same regions. Together, these tables illustrate the regional distribution of these facilities and where capacity will be needed to support SB 54 and the proposed regulations implementation.

#### *6. Number of Jobs Created*

See SRIA section titled *California Employment Impacts*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheet titled *REMI*.

Tables 22 and 23 in the SRIA provide information on the employment impacts of SB 54 and the proposed regulations in various industries across the implementation years.

## **B. Estimated Costs**

#### *1. Other Economic Costs*

See all SRIA sections under *Direct Cost*, sections titled *Direct Cost on Businesses* and *Direct Cost on Individuals*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheets titled *Producer Summary* and *Consumers & Businesses (Cells U7, U15, E7, and E15)*.

The costs for multiple components involved with SB 54 and the proposed regulations implementation are provided in the *Direct Cost* sections. CalRecycle assumes the costs for small and typical businesses will increase at a rate that is equal to the statutory goal

requirements. While the costs for typical and small businesses are expected to be the same, the costs for large and small producers are expected to be significantly different. CalRecycle reported on the cost of implementation on California households in the SRIA. A breakdown of costs for individuals is provided in the Direct Impacts Model.

## *2. Share of Total Costs for Each Industry*

See SRIA section titled *Inputs and Assumptions of the Assessment*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheet titled *REMI*.

This section of the SRIA discusses the direct expenses associated with proposed regulations, which include production costs necessary to meet source reduction and recycling rate requirements. These costs are incurred by various businesses, including manufacturers, wholesalers, retailers, and food service establishments. To assess the impact on California-based businesses, CalRecycle calculated California's proportionate share of these production costs by comparing the number of entities in affected industries in California to the national industry total, as shown in Table 21 in the SRIA. This analysis helped identify the specific financial burden placed on different California industry sectors as a result of the proposed regulations.

## *3. Annual Reporting Requirement Costs*

See SRIA subsection titled *Cost* under *Alternative 2: Higher Frequency of Required Producer Reporting*.

See the *SB54 SRIA Direct Impacts Model* workbook and the worksheets titled *PRO Operations Summary (Cell M9)* and *Producer Summary (Cells C34 and Sum of G38 and G39)*.

This section elaborates on the base assumption for reporting costs for large and small producers. Small producers are eligible to submit an annual exemption application to CalRecycle, and large producers must submit annual reports to the PRO that disclose their covered material details. The PRO is also required to submit an annual report to CalRecycle that discloses details of the progress made in reaching the statutory goals. The estimated annual cost for small producers, large producers, and the PRO to report is \$309; \$1,523; and \$55,413; respectively.

## **C. Estimated Benefits**

### *1. Summary of the Benefits*

See all SRIA sections under *Benefits*.

See the *SB54 SRIA Direct Impacts Model* workbook and the worksheet titled *Benefits*.

CalRecycle anticipates that the proposed regulations will bring various benefits to California. These include a reduction in plastic pollution, improved human health, environmental well-being, and economic advantages. The regulations will lead to reduced greenhouse gas emissions through lower plastic production, less oil consumption for plastic packaging manufacturing, and decreased waste disposal. Additionally, the shift to a circular economy will place the responsibility for managing covered materials on producers, resulting in a more consistent recycling system, increased access to reuseable and refillable packaging, and a decrease in litter pollution, enhancing the social and environmental conditions for California residents. CalRecycle anticipates benefits in reduced Per- and Polyfluorinated Substances (PFASs), litter clean up, double handling material, CO2 equivalents, ozone depletion, ground level smog formation, eutrophication, respiratory diseases, and cancer.

### *3. Statewide Benefits from the Regulation*

See all SRIA sections under *Benefits*.

See the *SB54 SRIA Direct Impacts Model* workbook and the worksheet titled *Benefits*.

A qualitative description of the benefits is provided in the *Benefits* sections along with some non-monetary values. By 2032, the implementation of the proposed regulations will result in the source reduction of approximately 1.38 million tons of plastic covered materials and diverting 2.9 million tons of plastic covered materials from landfills. This will lead to a significant reduction of 4.07 million tons of carbon dioxide equivalent emissions and a savings of 1.1 billion gallons of crude oil being used in the production of plastic-covered materials. CalRecycle has also quantified the benefits (in the form of avoided costs) of the proposed regulations by identifying and calculating the benefits associated with several impact categories, totaling an estimated \$40.3 billion in avoided costs. Impact categories quantified in the SRIA including PFASs, litter clean up, double handling material, CO2 equivalents, ozone depletion, ground level smog formation, eutrophication, respiratory diseases, and cancer. Avoided damage cost of PFASs is estimated to account for \$25 billion of the \$40.3 billion avoided cost total through the implementation period.

### *4. Business Expansion*

See SRIA section titled *Sortation*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheets titled *IN Sortation* and *IN Compost*.

CalRecycle anticipates existing MRFs and composting facilities will expand their operations to accommodate the additional capacity needed to achieve the goals outlined by statute. CalRecycle has estimated that existing MRFs will need to expand by

an additional 37,000 tons of capacity. This does not encompass the total amount of capacity needed to be online by 2032. For composting facility expansion, CalRecycle has estimated that an additional 80,000 tons of capacity will need to be operational by 2032.

## D. Alternatives to the Regulation

### *1. Alternatives Considered*

See SRIA sections titled *Alternative 1: Less Stringent Classification of Plastic Covered Materials* and *Alternative 2: Higher Frequency of Required Producer Reporting*

See the *SB54 SRIA Direct Impacts Model* workbook and the worksheets labeled with *Alt1* and *Alt2*.

## E. Major Regulations

### *2. Alternative 1 and Alternative 2*

See the SRIA sections titled *Alternative 1: Less Stringent Classification of Plastic Covered Materials* and *Alternative 2: Higher Frequency of Required Producer Reporting*

See the *SB54 SRIA Direct Impacts Model* workbook and the worksheets labeled with *Alt1* and *Alt2*.

### *3. Cost-effectiveness Ratio*

See the SRIA sections titled *Cost-Effectiveness*.

See the *SB54 SRIA Direct Impacts Model* workbook and the worksheets labeled *Capacity Needs Analysis, Alt1 Capacity Needs Analysis, and Alt2 Capacity Needs Analysis*.

The cost-effectiveness and differences between the alternative cases and the regulations are shown in Tables 33 and 37 in the SRIA.

### *5.a. Investment in the State*

See the SRIA section titled *Impacts on Investments in California*.

See the *SB54 SRIA Direct Impacts Model* workbook and worksheet titled *REMI*.

The relative changes in private investment growth attributable to the regulations are detailed in Table 25 in the SRIA. The proposed regulations indicate an initial rise in private investment of approximately \$172 million in 2024, followed by a positive trajectory, peaking at an increase of \$1.2 billion in 2030.

### *5.b. Incentive for Innovation*

See the SRIA section titled *Incentives for Innovation*.

The proposed regulations set packaging standards that encourage manufacturers to adopt cost-effective innovations, potentially reducing compliance costs and offering competitive advantages as the market evolves.

### *5.c. Miscellaneous Benefits*

See the SRIA section titled *Social Benefits*.

The proposed regulations aim to establish a consistent recycling system across California by ensuring uniform acceptance of recyclable materials in all jurisdictions, leading to reduced confusion and more accessible reuseable and refillable packaging options. This will result in cleaner public spaces and waterways due to decreased pollution and litter stemming from covered material waste generation.

## Fiscal Impact Statement

### A. Fiscal Effect on Local Government

#### *6. Other*

See the SRIA sections titled *Local Government* and *Local Jurisdictions*.

The proposed regulations mandate local jurisdictions to include specific materials in their recycling programs. Some local jurisdictions may not currently include all of the required materials in their recycling programs and so would incur costs to expand their recycling collection service programs. Actual costs incurred by local governments will be influenced by factors like population density, market proximity, PRO program development decisions, and many others and will affect both curbside and non-curbside programs. CalRecycle estimates that the average annual cost to improve and expand recycling collection services may be as much as \$22.2 million through Fiscal Years 2023-24, 2024-25, and 2025-2026. These values are provided in Table 14 in the SRIA. The PRO is responsible for ensuring that all local government expenses are fully funded. Additionally, funding from the California Plastic Pollution Mitigation Fund can be directed towards supporting local governments.

### B. Fiscal Effect on State Government

#### *4. Other*

See the SRIA section titled *State Government*.

To implement and enforce SB 54 and the proposed regulations, CalRecycle and other state agencies require additional staff and contracts. The PRO, through the Circular Economy Fund, is responsible for fully funding these costs. Estimated staffing expenses are \$63.4 million, with detailed annual breakdowns provided in the SRIA. Field visits and contracts for the Needs Assessment, economic impact reports, and IT infrastructure are projected at \$5.95 million and \$7.4 million, respectively. CalRecycle anticipates a \$4 million reduction in revenue to the state from disposal stream tipping fees, attributed to the expected decrease in covered material entering landfills because of SB 54 and the proposed regulations implementation. Additionally, the estimated state income tax revenue is projected to increase by \$766 million through the implementation period.